GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1665
ANSWERED ON:22.08.2012
HIKE IN INTEREST RATES
Sugavanam Shri E.G.

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware of the problems being faced by the small home buyers due to frequent hike in interest rates;

(b) if so, whether the Government has any proposal to provide some relief to small home buyers;

(c) if so, the details thereof; and

(d) if not, the reasons therefor?

Answer

Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) to (d): Public Sector Banks (PSBs) and Housing Finance Companies (HFCs) are the major players in the housing finance sector. Interest rates on Housing loan are market based which depends upon a number of factors and each Bank has their own policy decided by its Board of Directors with regard to the interest rates charged by them. To support the small home loan buyers, some of the major steps taken by Government are:-

(i) Providing 1% Interest Subvention on housing loans upto ` 15 lakh where the cost of housing does not exceed ` 25 lakh;

(ii) Removal of pre-payment penalty to provide an opportunity to home loan borrowers to freely switchover their loan accounts to other Banks/FIs offering better interest rates;

(iii) Creation of Credit Guarantee Fund Trust for Low Income Housing by Ministry of Housing and Urban Poverty Alleviation;

(iv) Housing Loans upto rs 25 lakhs have been included in the priority sector lending;